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BEFORE THE PUBLIC UTILITIES COMMISSION
OF THE STATE OF HAWAII

PUBLIC UTILITIES
COMMISSION

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----- In the Matter of -----

Docket No. 2008-0274

PUBLIC UTILITIES COMMISSION

Instituting a Proceeding to Investigate
Implementing a Decoupling Mechanism for
Hawaiian Electric Company, Inc., Hawaii
Electric Light Company, Inc. and Maui Electric
Company, Limited.

HAWAII RENEWABLE ENERGY ALLIANCE'S

POST-HEARING REPLY BRIEF

AND

CERTIFICATE OF SERVICE

Warren S. Bollmeier II, President
Hawaii Renewable Energy Alliance
46-040 Konane Place 3816
Kaneohe, HI 96744

(808) 247-7753
wsb@lava.net

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HAWAII RENEWABLE ENERGY ALLIANCE'S
POST-HEARING REPLY BRIEF

Hawaii Renewable Energy Alliance ("HREA") respectfully submits its Post-Hearing Reply Brief.

HREA stands on its Joinder to Haiku Design and Analysis's ("HDA's") Opening Brief, and our our comments with the Joinder. After reviewing the Opening Briefs from the other Parties, we offer the following brief comments in reply:

1. Efficacy of the Energy Cost Adjustment Clause ("ECAC"). HREA does not see a consensus among the Parties on whether to modify the ECAC, or if so, how. That said, we believe one important aspect of this discussion has not been addressed. Specifically, regardless of what future form of the ECAC is approved by the Commission, what should the utility's goal be with respect to integration and operation of renewables on our island grids? HREA contends that the goal is to maximize the renewable energy output from existing renewable facilities, including those at both the transmission and distribution level, and to ensure that goal is met moving forward with new facilities.

In support, HREA would like to refer the Parties to our state energy policy as embodied in HRS §269-27.2, which reads in relevant part:

“Utilization of electricity generated from nonfossil fuels. ... (b) The public utilities commission may direct public utilities that supply electricity to the public to arrange for the acquisition of and to acquire electricity generated from nonfossil fuel sources as is available from and the producers are willing and able to make available to the public utilities, and to employ and dispatch the nonfossil fuel generated electricity in a manner consistent with the availability thereof to maximize the reduction in consumption of fossil fuels in the generation of electricity to be provided to the public...” (*Emphasis added*).

Thus, HREA requests that the Commission direct the HECO Companies, pursuant to whatever decision is rendered regarding the ECAC, to maximize the output from all existing (and all future) renewable facilities, whether interconnected at the transmission or distribution levels. Furthermore, maximizing the output shall include eliminating curtailment of existing (and all future) renewable facilities. HREA also requests that the Commission direct the HECO Companies to prepare a plan with industry and other energy stakeholders to implement this policy.

2. HECO's Proposed Reliability Incentive. HREA would agree that some form of a reliability standard would be appropriate in support of the aggressive goals of the Hawaii Clean Energy Initiative. However, HREA does not believe there has been sufficient time in this proceeding to address the issues regarding HECO's specific System Average Interruption Duration Index ("SAIDI") proposal. Specifically, in their Opening Brief, HECO implies that renewable generation will always cause grid reliability problems. This is simply not true. In general, addition of all generation, whether at the transmission or distribution level, whether renewable or fossil, or whether "as-available" or "firm," can provide reliability benefits to the utility. Specifically, the more generating units there are, the probability of grid power outages decreases, and particularly if the generating units are smaller in capacity. For example, one of the key utility operational challenges is to preclude a system wide power outage by precluding system cascade events. Such events can occur if

the utility's largest generator fails in conjunction when another large utility generator is down for maintenance. As we understand, current operational strategy includes deployment of sufficient spinning reserve for such events, but said reserve really only exists on Oahu. As further evidence of how serious this problem can be consider that HECO/HELCO/MECO have required the 60 MWs of existing 'as-available" windfarms and presumably will require all future windfarms to provide fault-ride through ("FRT") capability. Why? In the case of a utility generator failure, if any windfarms are on-line, they are now required to stay interconnected sufficiently long to help preclude cascade effects.

HREA also recognizes that windfarms and possibly PV are considered "disruptive" technologies from the standpoint that the utility is currently challenged, particularly on the Big Island, to "follow the load" at certain times. HREA's point here is not to assess blame, but to suggest that utility operation with high levels of renewable penetration is a challenge. It is also an opportunity. Specifically, there are technical measures that can be designed and deployed to ensure grid stability, safety and reliability. These measures include deployment and operation of storage and demand response technologies. Thus, we agree with HECO that a "thorough analysis" is required. We believe that at least some answers may come from the grid studies underway as part of the HCEI. We look forward to a briefing on these studies as soon as possible.

We also note that the Commission discussed related matters in its Interim Decision and Order ("D&O") on the Feed-In Tariff Docket (No. 2008-0273), dated September 28, 2009. Referring to pages 50-51 of the D&O:

"As such, the commission directs the HECO Companies to develop reliability standards for each company, which should define most circumstances in which FIT projects can or cannot be incorporated on each island. The HECO Companies should incorporate the other parties to this docket into the process of crafting these standards. The standards should complement existing standards, including those in the HECO Companies' tariff Rule 14,

and should provide greater predictability with respect to reliability issues for developers. While the commission prefers that the standards be filed prior to FIT rates taking effect, the commission will entertain proposals from the parties on an alternate means or timeline for completion of the standards within fourteen days of the date of this Decision and Order. The commission in particular wants the HECO Companies to adopt standards that establish when additional renewable energy can or cannot be added on an island or region therein without markedly increasing curtailment, either for existing or new renewable projects. FIT generation should meet new load requirements and displace fossil fuel generation. Accordingly, FIT projects should not meaningfully displace existing renewable energy generation. For instance, minimum load standards could demonstrate whether additional wind generation could be added to the HELCO and MECO grids without harming reliability or directly leading to more curtailment of existing renewables during off-peak hours."

Given the development of reliability standards is to be initiated on the FiT docket, HREA recommends that consideration of any utility reliability standard with respect to decoupling be postponed pending the outcome of the directed activity on the FiT docket, as discussed above.

3. Need for a Performance Metric. As stated in our Opening Brief, HREA wholeheartedly agrees with HDA that a performance metric is appropriate as a *quid pro quo* to ensure that ratepayers will see rapid progress in moving off fossil fuel to renewables and energy efficiency. While there has been additional discussion among some of the Parties since the filing of the Opening Briefs, a consensus has not been reached on a specific performance metric. Thus, HREA reiterates its concurrence with HDA's recommendation that the Commission direct the Parties to come back at a later time with a recommended performance metric, rather than delaying the docket process further at this point. As in our Opening Brief, HREA recommends the draft performance metric, prepared by Mike Champley and submitted by Blue Planet with their Opening Brief, as the starting point for discussion on a performance metric.

Dated: September 29, 2009, Honolulu, Hawaii


President, HREA

CERTIFICATE OF SERVICE

The foregoing Post-Hearing Reply Brief was served on the date of filing by Hand

Delivery or electronically transmitted to each such Party as follows.

Catherine P. Awakuni, Executive Director Department of Commerce and Consumer Affairs Division of Consumer Advocacy P. O. Box 541 Honolulu, HI 96809	2 Copies (Hand Delivery) and Electronic Service
---	--

Darcy I. Endo-Omoto, Vice-President Governmental and Community Affairs Hawaiian Electric Company Inc. P. O. Box 2750 Honolulu, HI 96840-0001	Electronic Service
--	--------------------

Dean Matsuura Director, Regulatory Affairs Hawaiian Electric Company, Inc. P. O. Box 2750 Honolulu, HI 96840-0001	Electronic Service
---	--------------------

Thomas W. Williams, Jr. Esq. Peter Y. Kikuta, Esq. Goodsill, Anderson, Quinn & Stifel Alii Place, Suite 1800 1099 Alakea Street Honolulu, HI 96813 Attorneys for HECO Companies	Electronic Service
---	--------------------

Jay Ignacio President Hawaii Electric Light Company, Inc. P. O. Box 1027 Hilo, HI 96721-1027	Electronic Service
--	--------------------

Edward I. Reinhardt President Maui Electric Company, Limited P. O. Box 398 Kahului, HI 96732	Electronic Service
--	--------------------

Randall J. Hee, P.E. President and Ceo Kauai Island Utility Cooperative 4463 Pahe'e Street, Suite 1 Lihue, HI 96766-2000	Electronic Service
--	--------------------

Timothy Blume Michael Yamane Kauai Island Utility Cooperative 4463 Pahe'e Street, Suite 1 Lihue, HI 96766	Electronic Service
---	--------------------

Kent D. Morihara, Esq.
Kris N. Nakagawa, Esq.
Rhonda I. Ching, Esq.
Morihara Lau & Fong LLP
841 Bishop Street, Suite 400
Honolulu, HI 96813
Attorneys for Kauai Island Utility Cooperative

Electronic Service

Carl Freedman
Haiku Design & Analysis
4234 Hana Highway
Haiku, HI 96708

Electronic Service

Henry Q Curtis, Vice President for Consumer Issues
Kat Brady, Vice President for Social Justice
Life of the Land
76 North King Street, Suite 203
Honolulu, HI 96817

Electronic Service

Gerald A. Sumida, Esq.
Tim Lui-kwan, Esq.
Nathan C. Nelson, Esq.
Carlsmith Ball LLP
ASB Tower, Suite 2200
1001 Bishop Street
Honolulu, HI 96813

Electronic Service

Counsel for Hawaii Holdings, LLC, dba First Wind Hawaii

Kelly O'Brien, Vice-President, Business Development,
Hawaii Hawaii Holdings LLC, dba First Wind Hawaii
810 Richards Street, Suite 650
Honolulu, HI 96813

Electronic Service

Deborah Day Emerson, Esq.
Gregg J. Kinkley, Esq.
Department of the Attorney General
425 Queen Street
Honolulu, HI 96813


Electronic Service

Counsel for DBEDT
Mark Duda, President
Hawaii Solar Energy Association
P. O. Box 37070
Honolulu, HI 96837

Electronic Service

Doug A. Codiga, Esq.
Schlack Ito Lockwood Piper & Elkind
Topa Financial Center
745 Fort Street Mall, Suite 1500
Honolulu, HI 96813
Counsel for Blue Planet

Electronic Service


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